

Number 8/14/DPNP

Jakarta, 1 June 2006

CIRCULAR

To

ALL BANKS AND BANK CUSTOMERS

IN INDONESIA

Subject: Banking Mediation

In connection with the issuance of Bank Indonesia Regulation Number 8/5/PBI/2006, dated 30 January 2006, on Banking Mediation (State Gazette of the Republic of Indonesia Number 7/2006, Supplement to State Gazette of the Republic of Indonesia Number 4601), it is necessary to set forth the implementation regulation in a Bank Indonesia Circular with the provisions as follows:

I. GENERAL

1. Bank Indonesia Regulation Number 8/5/PBI/2006, dated 30 January 2006, on Banking Mediation and this Circular shall be the continuity of the regulation on the settlement of customer claims as regulated in Bank Indonesia Regulation Number 7/7/PBI/2005, dated 20 January 2005, and Bank Indonesia Circular Number 7/24/DPNP, dated 18 July 2005.
2. The Banking Mediation regulations shall be intended not only to help maintain the Bank reputation as an intermediary institution but also to provide an alternative dispute settlement for the Customers, particularly for the small-scale Customers and micro and small enterprises (UMK), if the claims that they file with the Bank do not render satisfactory settlement.

3. Dispute

3. Dispute Settlement through Banking Mediation shall be carried out simply, cheaply, quickly and efficiently.
4. Taking into account that Customers are in the position as recipients of the rules on the settlement of their claims by the Bank, filing of the disputes for settlement with the executives of the Banking Mediation can only be carried out by the Customers or their Representatives.
5. In carrying out the Banking Mediation function, Bank Indonesia shall not rule and/or recommend the dispute settlement for the Customers and the Banks. In this matter, Banking Mediation shall be carried out by facilitating the Customers and the Banks to restudy the subjects of the disputes fundamentally in order to reach an agreement.
6. Mediation may be processed at the Office of Bank Indonesia closest to the Customer's domicile.
7. Banking Mediation may be carried out by Bank Indonesia until the end of 2007, and it will be further carried out by independent banking mediation institutions formed by the banking association.

II. FILING OF DISPUTES FOR SETTLEMENT

1. Filing of the disputes for settlement with the executives of Banking Mediation function can only be carried out by the Customers or their Representatives, including the institutions, legal entities and/or other banks that are the Customers of the Bank.
2. The disputes that may be filed for settlement with the executives of the Banking Mediation function shall be the civil disputes arising out of financial transactions.
3. The value of any financial claims in Banking Mediation shall be filed in the Rupiah currency in the maximum amount of Rp. 500,000,000 (five hundred million rupiah).

4. The Maximum

4. The maximum amount of the value of the financial claims as contemplated in point 3 may be in the form of the cumulative value of such financial losses that have occurred to the Customers, the potential losses due to postponement or the non-executable financial transactions of the Customers with other parties and/or the costs expended by the Customers for settlement of the disputes.
5. Filing of the disputes for settlement shall be carried out in writing with the format as included in Attachment 1, attached with the documents, such as:
 - a. photocopy of the letter on the claim settlement result provided by the Bank for the Customer;
 - b. photocopy of the Customer's effective identity evidence;
 - c. a statement letter with sufficient sealing and signature, stating that the Dispute filed is neither in the process nor has been ruled by the arbitration or judicial institution or other Mediation institutions and has never been processed in the Banking Mediation facilitated by Bank Indonesia;
 - d. photocopy of supporting documents relating to the Dispute filed; and
 - e. photocopy of the power of attorney if the filing of the Dispute for settlement is delegated.

The forms for Dispute Settlement Filing with the Banking Mediation shall be provided at each of the Bank offices or may be made by the Customers themselves with reference to the format as included in Attachment 1.

6. Filing of the Disputes for settlement as contemplated in point 2 shall be carried out no later than 60 (sixty) business days as of the date of the letter on the Customer's claim settlement result from the Bank to the date on which the filing of the Dispute for settlement is received by the

Executives

executives of the Banking Mediation function directly from the Customer or the date of the postal seal if sent by post.

For instance: if the date of the letter on the result of the Customer's claim settlement from the Bank to the Customer is 5 June 2006, the filing of the Dispute for settlement with the executives of the Banking Mediation directly from the Customer or the date of the postal seal (if sent by post) shall be carried out no later than 30 August 2006.

7. Any Dispute arising out of the result of the Customer's claim settled by the Bank in accordance with the regulations on Customer claim settlement prior to 1 June 2006 may be filed with the executives of the Banking Mediation function no later than 30 June 2006.

For instance: The Customers who have filed any claim with the Bank and obtained the letter on the result of the claim settled by the Bank on 1 January 2006 but feel dissatisfied by the result of the claim settled by the Bank may file a claim for the Dispute for settlement with the executives of the Banking Mediation function no later than 30 June 2006.

8. Filing of the claim for settlement by the Customers shall be addressed to the Directorate of Investigation and Banking Mediation, Bank Indonesia, Menara Radius Prawiro, 19th Floor, Jalan M.H. Thamrin Number 2, Jakarta 10110, with a copy sent to the relevant Bank.
9. The executives of the Banking Mediation Function may reject the filing of the Dispute for settlement that fails to meet the requirements as contemplated in points 1 to 7 above.

III. PROCESS OF PROGRAM AT BANKING MEDIATION

1. Based on the filing of the Dispute for settlement, the executives of the Banking Mediation function may clarify or request for explanation from the Customer and Bank orally or in writing.

2. The clarification

2. The clarification or request for explanation as contemplated in point 1 shall be carried out in the framework of requesting information on the problem filed and the efforts for settlement by the Bank.
3. The executives of the Banking Mediation function shall summon the Customer and the Bank to explain the procedures of the Banking Mediation implementation. If the Customer and the Bank agree to use Banking Mediation as a Dispute settlement alternative, the Customer and the Bank shall sign a Mediation agreement (agreement to mediate).
4. The Mediation Agreement as contemplated in point 3 shall contain the statement of agreement of the Customer and the Bank to use Mediation as a Dispute settlement alternative and the agreement to comply with and be subject to the Mediation regulations.
5. The Mediation Regulations as contemplated in point 4 shall contain the conditions relating to the Mediation process, which shall consist of at least the following matters:
 - a. The Customer and the Bank shall deliver and disclose all the important information relating to the subject of the Dispute and the Mediation implementation.
 - b. All the information from the parties relating to the Mediation process are confidential information and cannot be disseminated for the interest of other parties than the parties involved in the Mediation process, namely other parties than the Customer, the Bank and the Mediator.
 - c. The Mediator shall be neutral, not side with or attempt to help the parties to reach an Agreement.
 - d. The Agreement reached in the Mediation process shall be a voluntary Agreement between the Customer and the Bank, and not a recommendation and/or decision of the Mediator.

e. The customer

- e. The Customer and the Bank can neither request any legal advice nor any legal counsel from the Mediator.
- f. Neither the Customer nor the Bank, for any reasons whatsoever, shall file any legal claim against the Mediator, the employees or Bank Indonesia as the executives of the Banking Mediation function either for any losses that may arise due to the implementation or execution of the Deed of Agreement or for any reasons relating to the Mediation implementation.
- g. The Customer and the Bank that follow the Mediation process shall intend to settle the dispute. Thus, the Customer and the Bank shall be willing to:
 - 1) carry out the Mediation process with good faith;
 - 2) be cooperative with the Mediator during the Mediation process;
 - and
 - 3) attend the Mediation meetings in accordance with the dates and venues agreed to.
- h. If the Mediation process is deadlocked in the efforts to reach an Agreement, either in part or of the subject of the Dispute as a whole, the Customer and the Bank shall agree to the actions taken by the Mediator, among others:
 - 1) presenting other parties as resource persons or experts in order to support smoothness of the Mediation; or
 - 2) suspending the Mediation process temporally without exceeding the time limit of the Mediation process; or
 - 3) discontinuing the Mediation process.
- i. If the Customer and/or the Bank make further efforts for settlement of the Dispute through arbitration or judicial process, the Customer and the Bank shall agree to:
 - 1). involve

- 1) involve neither the Mediator nor Bank Indonesia as the executives of the Banking Mediation function to provide any testimony in the implementation of the aforesaid arbitration or judicature;
 - 2) request neither the Mediator nor Bank Indonesia to submit some or all of the Mediation documents administered by Bank Indonesia, such as notes, reports, essays, Mediation process reports and/or other dossiers relating to the Mediation process.
- j. If the Customer and the Bank take the initiative to present certain resource persons or experts, the Customer and the Bank shall agree to bear the costs of such resource persons or experts.
- k. The Mediation process shall terminate if:
 - 1) an Agreement is reached;
 - 2) the Mediation time period terminates;
 - 3) a deadlock occurs and causes the Mediation process to terminate;
 - 4) the Customer states that he resigns from the Mediation process; or
 - 5) one of the parties does not comply with the agreement to mediate.
6. In the Mediation implementation, both the Customer and the Bank may authorize other parties to act for and on behalf of the Customer and the Bank. In this matter, the authorized party may be an individual, an institution or a legal entity.
7. The authorization as contemplated in point 6 shall be carried out in a special power of attorney without substitution right, sufficiently sealed, and shall state at least the following matters:
 - a. the identity of the authorizing and authorized parties, stating the basis for such authorization; and
 - b. the delegation of authority to the authorized party to follow the Mediation process pursuant to the Mediation regulations, including decision-making in the form of an agreement.

The delegation

The delegation of authority may also include the authority to sign the documents relating to the Mediation process, among others the Mediation Agreement (agreement to mediate) and the Deed of Agreement.

8. The Mediation shall be processed in a timeframe of no longer than 30 (thirty) business days (as of the time the Customer and the Bank sign the Mediation Agreement (agreement to mediate) until the signing of the Deed of Agreement).
9. The timeframe as contemplated in point 8 may be extended for the following 30 (thirty) business days based on the written Agreement of the Customer and the Bank.
10. The written Agreement on the extended time of the Mediation process as contemplated in point 9 shall state clearly the reason(s) for extending the time, among others to present certain resource persons with the expertise and competency in accordance with the disputed matter.
The aforesaid time extension may be carried out if the following requirements are met:
 - a. The Parties have good faith by complying with the Mediation regulations and the Mediation Agreement (agreement to mediate);
and
 - b. The timeframe of the Mediation process is going to terminate; however, according to the evaluation of the Mediator, there is still the prospect to reach an Agreement.
11. The Agreement reached in the Mediation process shall be contained in a Deed of Agreement, which shall be final and binding on the Customer and the Bank.

Being final shall mean that the Dispute cannot be submitted to the executives of the Banking Mediation function for Mediation reprocess.

Being

Being binding shall mean the Agreement shall be effective as a law for the Customer and the Bank and be carried out with good faith.

IV. PUBLICATION OF BANKING MEDIATION

1. The Bank shall publish an alternative facility for settlement of disputes through Banking Mediation to Customers by means of:
 - a. providing information in the form of a leaflet, booklet, poster and/or other publication, including the Bank's website. The leaflets, booklets and/or posters shall be available at each of the Bank's offices at the locations easily accessible to the Customers; and
 - b. delivery of the leaflets containing the information on Banking Mediation to the Customers. The leaflets shall be delivered together with the letters on settlement of the claims as contemplated in Bank Indonesia Regulation Number 7/7/PBI/2005, dated 20 January 2005, and Bank Indonesia Circular Number 7/24/DPNP, dated 18 July 2005, on Settlement of Customer Claims.
2. The information as contemplated in point 1 that shall be published by the Bank shall contain at least:
 - a. the procedures that shall be fulfilled by the Customers in order to file for settlement of a Dispute;
 - b. the requirements for filing for settlement of a Dispute;
 - c. the time limit for filing for settlement of a Dispute;
 - d. the maximum amount of the financial claim for each Dispute, namely the financial losses that have occurred to the Customers, the potential losses due to postponement or the non-executable financial transactions of the Customers and other parties and/or the costs expended by the Customers to settle the Dispute; and
 - e. the inclusion of the financial claim, excluding the immaterial losses.

3. The information

3. The information in the form of a leaflet, booklet and/or poster at each of the Bank's offices as contemplated in point 1 shall be procured no later than 1 September 2006

V. CLOSING

The provisions of this Bank Indonesia Circular shall be effective as of 1 June 2006.

In order to be informed to everybody, it shall be instructed that this Bank Indonesia Circular be announced in the State Gazette of the Republic of Indonesia.

Thank you.

BANK INDONESIA,

MAMAN H. SOMANTRI
DEPUTY TO GOVERNOR